



County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

May 21, 2010

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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum contains a pursuit of a County position on legislation to redefine Community Redevelopment Law to include the provision of loan assistance to reduce the principal balance on home mortgages for qualified homeowners; a report on the Assembly Budget Subcommittee No. 1 on Health and Human Services hearing on the Governor's May Revision proposals for mental health services; a change in pursuit of a County position on a measure related to gang nuisance injunctions; an update on four County-advocacy measures related to: 1) increased penalties for sexual assaults committed against minor children; 2) requiring local Emergency Medical Services agencies to adhere to standards issued by the California State Emergency Medical Authority; 3) foster youth identity theft; and 4) reinstating California's law banning the possession or use of body armor by felons; and an update on two County-interest bills related to Home Star Energy Retrofit Act implementation and water and energy efficiency.

Pursuit of County Position on Legislation

AB 2043 (Torrico), as amended on April 29, 2010, would redefine the term redevelopment to include the provision of loan assistance to reduce the principal balance on home mortgages for qualified homeowners. Qualified homeowners would mean a low- or moderate-income homeowner who resides in his or her home. The bill also cites legislative intent that the subordinate loan would: 1) provide leverage to

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secure greater principal reduction; and 2) have a rational relationship to the amount needed to prevent foreclosure and to the present value of the forgiven principal. This measure would sunset on January 1, 2016.

AB 2043 would allow redevelopment agencies to use redevelopment funds to issue subordinate loans to reduce the principal balance on the mortgages of qualified homeowners who reside in or outside the project and as determined by the agency. The use of funds outside the project area would require that the agency and legislative body adopt a resolution to establish that the use will benefit the project area. The funds authorized for loan assistance would not include the 20 percent set aside funds for the construction of low- and moderate-income housing.

A subordinate loan would be issued only if the lender agrees to modify an existing home mortgage to reduce the principal balance of the primary loan so that the loan-to-value ratio is equal to or less than 110 percent. The bill would permit a subordinate loan of no more than 15 percent of the remaining balance to reduce the primary loan after the loan-to-value ratio is reduced. Subordinate loans would be limited to low- and moderate-income borrowers and to owner-occupied homes. The bill also would provide that the subordinate loan, plus any fees or interest charges as determined by the agency, may be repaid to the agency upon the sale or refinance of the home. Prior to the sale or refinance no monthly payment would be owed to the agency.

Existing law authorizes a city or county to create redevelopment agencies for the purpose of curing blight. Physical and economic blight is defined in the Community Redevelopment Reform Act of 1993 (AB 1290 - Chapter 942, Statutes of 1993), which sought to curb redevelopment abuse by tightening the showing of blight needed to invoke redevelopment powers. The Act also placed specified limitations and requirements on projects and mandated pass-through of a statutorily established share of diverted property tax increment to affected localities.

The Chief Executive Office and County Counsel indicate that the expansion of the definition of redevelopment to include mortgage principal reduction loans is inconsistent with the purpose of Community Redevelopment Law, which is to address existing blight. The definition of redevelopment has been carefully written to guarantee that agencies use redevelopment funds solely to cure blight. AB 2043 fails to offer a link between mortgage payments and blight. In addition, the bill would not only use tax increment revenues diverted from schools, cities, and counties to assist homeowners who are at risk of losing their homes, but would also bail out banks that issued such loans. The subordinate loans will only be repaid if homes that are currently valued at significantly less than their loan amount suddenly increase in value. The use of diverted property tax increment funds for activities other than curing blight that does not lead to the

increase in property values will negatively impact the County and other local taxing entities.

The Community Development Commission (CDC) indicates that AB 2043 would redirect funds away from Board approved expenditure plans for the Housing Authority of the County of Los Angeles' (HACoLA) City of Industry funds, and the expenditure plans for redevelopment funds generated by the CDC's redevelopment areas. The expenditure/allocation plan for the City of Industry funds includes among its purposes the promotion of homeownership opportunities. According to the CDC, mortgage modification programs exist through other funding sources and the redirection of redevelopment funds for this purpose could critically reduce the amount of available funds.

County Counsel, the Community Development Commission and this office oppose AB 2043. Therefore, consistent with existing Board policy to oppose any redevelopment legislation which would cause the County to lose revenues, limit or repeal provisions of AB 1290 (Chapter 942, Statutes of 1993), and policy to oppose proposals that would reduce or eliminate the transfer of the Industry Funds to HACoLA or reduce authority and use over such funds, **the Sacramento advocates will oppose AB 2043.**

The measure is sponsored by the author and there is no support or opposition on file. AB 2043 passed the Assembly Committee on Housing and Community Development on April 28, 2010 by a vote of 7 to 2 and the Assembly Committee on Local Government on May 5, 2010 by 6 to 3. The measure was placed on the Assembly Appropriations Committee suspense file on May 19, 2010.

State Budget

On May 20, 2010, the Assembly Budget Subcommittee No. 1 on Health and Human Services heard testimony on the Governor's May Revision proposals to: 1) redirect \$602.0 million in county Mental Health Realignment funds to offset State General Fund costs for the Child Welfare Services and Food Stamp Programs which would result in an estimated County loss of \$195.0 million; and 2) suspend the AB 3632 Program mandate for State General Fund savings of \$52.0 million which would result in an estimated County loss of \$43.7 million. The Subcommittee left these proposals open.

Change in Pursuit of County Position

County-opposed SB 282 (Wright), which would have authorized a gang nuisance injection issued under the Penal or Civil Code to be in effect no longer than five years, was amended on February 23, 2010 to remove this language. As currently amended,

this measure now relates to the sale or transfer of firearms and ammunition. Therefore, **the Sacramento advocates will remove the County-opposition on SB 282 and take no position on this measure.**

Status of County-Advocacy Legislation

County-supported AB 1844 (Fletcher), which as amended on April 28, 2010, would enact the Chelsea King Child Predator Prevention Act of 2010 to increase penalties for forcible sex acts against minors, was placed on the Assembly Appropriations Committee suspense file on May 19, 2010.

County-opposed AB 2456 (Torrico), which as amended April 22, 2010, would require local Emergency Medical Services (EMS) agencies to adhere to the standards issued by the California EMS Authority regarding the functions, certification, and licensure of emergency medical technician personnel, was placed on the Assembly Appropriations Committee suspense file on May 19, 2010.

County-supported AB 2698 (Block), which as amended on April 19, 2010, would authorize county welfare departments or the California State Department of Social Services to release information to credit agencies on behalf of foster youth who may be victims of identity theft, passed the Assembly Floor on May 20, 2010 by a vote of 70 to 0. This measure now proceeds to the Senate.

County-supported SB 408 (Padilla), which as amended on January 26, 2010, would reinstate California's law banning the possession or use of body armor by violent felons, passed the Assembly Floor on May 17, 2010 by a vote of 73 to 0 vote. This measure now proceeds to the Governor.

Status of County-Interest Legislation

AB 2614 (J. Perez), as amended on May 13, 2010, would require the State Energy Resources Conservation and Development Commission (Commission), upon the enactment of the Federal Home Star Energy Retrofit Act of 2010 (H.R. 5019), in consultation with the United States Department of Energy, to develop programs that are required by, and complement H.R. 5019.

H.R. 5019 (Welch, D-VT) would authorize a total of \$6.6 billion, primarily for a new Home Star Retrofit Rebate Program to be run by the Department of Energy that would provide rebates to contractors for energy-efficient remodeling on existing homes. Contractors would give discounts to consumers for the retrofits and the contractors would be reimbursed by the Federal government via rebates. H.R. 5019 would also

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create a Home Star Energy Efficiency Loan Program (authorized for at least \$324 million) to make funds available to states to provide funds to qualified entities for the installation of qualifying energy savings measures or whole-home energy savings. This measure sunsets on December 31, 2012.

AB 2614 would require the commission, in consultation with the State Department of Community Services and Development, California Public Utilities Commission, electric utilities, gas utilities, and the Green Collar Jobs Council (Council), to take specified actions to implement the Federal Home Star Program, including: 1) streamlining procedures for eligible low-income homeowners to receive assistance for energy efficiency retrofit; 2) coordinating program implementation efforts and providing proper outreach to minimize consumer confusion and the orderly implementation of the Federal Home Star Program; and 3) ensuring the council's programs, policies, and participants are complementary to the Federal Home Star Program to the greatest extent possible.

There is no registered support of opposition to AB 2614 at this time. This measure was placed on the Assembly Appropriations Committee's suspense file on May 19, 2010.

AB 2679 (Eng), which would require: 1) all State-owned public buildings to conform to a 10-year compliance schedule to achieve reductions in energy and water consumption and to maintain specified water and energy reduction levels on and after January 1, 2025; 2) all newly constructed public buildings to have net zero energy consumption or be grid neutral on and after January 1, 2030; 3) each State-owned public entity operating a public building to provide to the State Department of General Services a certified onsite assessment of the facility's energy and water consumption levels; and 4) applicable public entities to adopt and implement processes outlined in the Green Building Action Plan, was placed on the Assembly Appropriations Committee's suspense file on May 19, 2010.

We will continue to keep you advised.

WTF:RA
MR:VE:LY:sb

c: All Department Heads
Legislative Strategist